

On Segregation Patterns in Cities: An NEG Approach

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April 2013

Abstract

This paper presents an analysis of residential segregation by introducing ethnicity agglomeration externalities into the NEG model. In an economy with two areas, Center and Suburb, residents with different ethnicity characteristics (for simplicity we employed two types of ethnicity characteristics, majorities and minorities) endogenously choose their residential location in the long run. By analyzing stable residential equilibria, we showed that minorities are more likely to agglomerate in one area than majorities because of the existence of ethnicity agglomeration preference in them. When the commuting cost is low, minorities always cluster, which makes the population gap between areas bigger. On the other hand, majorities migrate to the less crowded area in order not to incur residential congestion caused by minorities' residential agglomeration. This makes the population gap between areas smaller. As a result, when the commuting cost is low, the total population gap between areas gets smaller compared with high commuting cost cases. In this sense, majorities act as an equalizer of the population sizes of Center and Suburb.